

# REPORT

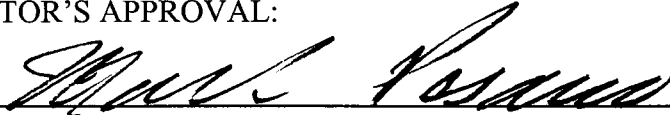
DATE: October 6, 2005

TO: Administration Committee  
Regional Council

FROM: Heather Copp, CFO [copp@scag.ca.gov](mailto:copp@scag.ca.gov) (213) 236-1804

SUBJECT: Request to modify policies related to reimbursement of Sub-Regions for Indirect Costs

EXECUTIVE DIRECTOR'S APPROVAL:



RECOMMENDED ACTION: Approve revised Policy

BACKGROUND: In March of 2001 the Regional Council approved a policy of allowing sub-regional organizations to be reimbursed for indirect costs with 10 conditions (see attached).

Four of those conditions were related to the requirement that sub-regions advance cash match to SCAG. The essence of this concept was that sub-regions would advance cash match to SCAG at the beginning of the fiscal year and SCAG would remit the cash match back to the sub-regions as sub-regions submitted invoices. **Under this program, all cash match is ultimately returned to the sub-regions.**

The administration of this program requires the finance division to annually create unique funds for each sub-region and year and maintain and report on each fund in the monthly general ledger and annual report. Additionally, if a sub-region wishes to opt in or out of the cash match program during the year, an OWP amendment is required.

Staff is requesting that these requirements be eliminated effective July 1, 2006. This will allow the FY 06/07 OWP to incorporate the change. Staff recommends a simplified Sub-Regional Indirect Cost reimbursement policy with only three conditions:

1. The sub-regional agency has an Indirect Cost Allocation plan approved for the subject fiscal year by Caltrans or the sub-regional agency's cognizant agency.
2. Prior to seeking reimbursement for incurred indirect costs, the sub-regional agency must forward to SCAG a copy of their approved Indirect Cost Allocation plan (ICAP).
3. Sub-Regions can only be reimbursed for indirect overhead in a given fiscal year if an approved ICAP is submitted to SCAG no later than 30 days after the end of the subject fiscal year.

FISCAL IMPACT: None.

PC Docs 106694

Original 10 conditions of Sub-regional indirect cost reimbursement policy adopted by Regional Council in March, 2001

1. Eligible agencies are agencies that:
  - a. Have public employees, and
  - b. Have approved cost allocation plans.
2. Participation is voluntary among eligible agencies.
3. A participating subregion shall provide SCAG with a copy of its indirect cost plan.
4. A participating subregion's indirect cost will be the product of its indirect cost rate applied to the direct labor cost. The total cost shall be the sum of indirect and direct expenditures, in an amount not to exceed a mutually agreed upon figure.
5. Subregions wishing to be reimbursed for indirect costs are to pay the local match of 11.47 percent or as may be subsequently prescribed by federal grant regulations, notices, and circulars as a cash advance to SCAG.
6. The local cash match/cash advance shall be remitted within forty-five days of the execution of the grant agreement or amendment. The subregional grant agreement or amendment shall be the legal instrument governing both the subregional allocation and transfer of the subregional cash match.
7. Subregional indirect costs will be reimbursed by SCAG at the same ratio as the subregion's cash match advance is to the total required match. No indirect costs shall be reimbursed if no local cash match is paid pursuant to the provisions of this policy.
8. SCAG is to remit to each subregion the amount of the contractually agreed upon federal awards subcontracted to the subregion in addition to any local cash match received. If a surplus of local cash match exists at the end of any fiscal year, it will be applied to the subsequent year's match requirement. SCAG's annual audit will report on the disposition of cash match received from the subregions.
9. Subregional invoices for work performed shall include the total costs of the work effort including the portion to be reimbursed by SCAG and other costs incurred by subregions and paid from subregional fund sources.
10. This policy is to be retroactive to July 1, 2000.

